

## ASX RELEASE

**1 FEBRUARY 2007**

### CONTACT

Paul McCormick  
Chief Executive Officer

### DIRECTORS

Harold Clough AO (Chairman)  
Paul McCormick (CEO)  
David Griffiths  
Robert Mangioni  
Bruce Cameron

### ISSUED CAPITAL

167,771,202 shares

### ASX CODE

ANO

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## REPORT FOR FY07 DECEMBER QUARTER

### HIGHLIGHTS

- Sales to customers for the December 2006 quarter were \$1,384,000 (unaudited) compared with \$717,000 for the corresponding quarter ended December 2005. This is an increase of 93%.
- Sales to customers for the first half of the 2007 financial year were \$1,717,000 (unaudited), up 13% from \$1,520,000 for the first half of the 2006 financial half-year.
- First commercial sales of ZinClear-IM™ in January 2007 to US and Australian customers.
- First sale of Nanoz®-AQ water based UV absorber for transparent paints made to a European customer in November 2006.
- Mr. Bruce Cameron appointed as a Non-Executive Director of the Company in December 2006.
- Advanced Nano named in top 25% of "Most Well Rounded Nanotechnology Start-Ups" by Lux Research in October 2006.
- Advanced Nano's current order book is strong. Revenue outlook for 2007 financial year remains encouraging.

## CONTINUED REVENUE GROWTH



Sales to customers for the quarter ended 31 December 2006 were \$1,384,000 (unaudited) up from \$717,000 in the previous corresponding quarter ended 31 December 2005, an increase of 93% and 316% up on the quarter ended 30 September 2006 (\$333,000).

As the Company anticipated, there has been a substantial revenue catch-up from the disappointing September quarter revenue total, reflecting what we believe to be associated with the timing of customer orders. Notwithstanding this effect, Advanced Nano believes that the underlying growth in demand for its products remains very strong.

Advanced Nano's CEO Paul McCormick commented "The continuing sales growth reflects the increasing demand world-wide for the Company's nanotechnology products. I am particularly pleased that not only are orders increasing in line with expectations but as a result of our programs of ongoing process improvements and expansion of production capacity, Advanced Nano has been able to meet all deliveries."

### PERSONAL CARE

Sales of Personal Care products for the December quarter of \$528,000 (unaudited) reflected a substantial increase over the September 2006 quarter total of \$61,000. The increase in sales in the December quarter was the result of increasing sales of personal care products incorporating Advanced Nano's ingredients, new personal care products coming on line from existing customers and an increase in our customer base.

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Sales in Personal Care lines for the December 2006 quarter decreased by 13% as against \$610,000 for the previous corresponding quarter ending December 2005 as customers built inventories in 2005.

On the basis of current orders and market feedback, the Company expects that its sales revenues for the current (March 2007) quarter will exhibit increased sales over recent quarters.

As recently announced, production of the new ZinClear-IM™ product has been scaled up successfully and the Company has already made shipments to early customers. Industry interest in ZinClear-IM™ is very strong. Advanced Nano believes that ZinClear-IM™'s benefits of UVA and UVB performance, transparency, chemical stability and cost offer a very attractive solution for the cosmetic UV absorber market.

#### INDUSTRIAL AND ENVIRONMENTAL

Industrial & Environmental sales for the quarter ending December 2006 were \$856,000 (unaudited), up from \$106,000 for the previous corresponding period in 2005. The significantly improved results are predominantly due to increased sales of Envirox™<sup>(1)</sup> to Oxonica plc in relation to the supply of Envirox™ to Petro Ofisi (Turkey).

First deliveries of NanoZ®-AQ, Advanced Nano's new water-based UV absorber for low volatile organic compound (VOC) clear paints and varnishes, were made in the December 2006 quarter to a European customer.

Paul McCormick commented "It is very pleasing to see sales of NanoZ®-AQ so soon after its commercial introduction". NanoZ-AQ, was introduced at EuroCoat 2006 in October 2006. The Company believes that NanoZ®-AQ will enjoy strong demand from paint and varnish makers as they reformulate their product offerings to comply with new EU regulations on VOCs."

(1) Envirox™ is a trademark of the Oxonica group.

#### **NEW DEVELOPMENTS**

##### RESTRUCTURING OF SALES AND MARKETING

To capitalise on the strong interest in its technologies and products across an increasing range of applications, the Company is restructuring its product development, sales and marketing activities around the four key market segments which Advanced Nano is targeting with its commercial products. Each segment will be led by a Manager assisted by multidisciplinary teams that can provide extensive selling and application support to customers and prospective customers.

In this respect the Company is pleased to announce the following appointments:

**Dr John Robinson** - Business Manager, **Energy & Emerging Technologies**. John manages our Envirox™ business with Oxonica plc. In addition John will take responsibility for Advanced Nano's product development and business initiatives in emerging areas of pearlescent and specialty pigments, fuel cells, catalysts, energy solutions and other areas.

**Brian Innes** - Business Manager, **Personal Care & Life Sciences**. Brian will take responsibility for leading and growing revenues to cosmetics industry customers. Advanced Nano's ZinClear® and Alusion® product families are targeted at the cosmetic industry.

**Russell Vallis** - Business Development Manager, **Plastics & Polymers**. Russell is responsible for identifying and developing profitable high-impact plastics and polymer applications, including improved gas barrier packaging films and novel UV resistant functional polymers.

**Graham Stevens** - Business Development Manager, **Coatings, Inks & Textiles**. Graham, a recent addition to Advanced Nano's technical commercialisation team, brings an extensive coating, pigment and formulation experience gained at ICI, Dulux, BASF and more recently Tronox.

In addition to the above appointments, **Dr Takuya Tsuzuki**, Advanced Nano's R&D Manager, has been appointed **Chief Technical Officer**. Takuya will be responsible for the management of Advanced Nano's intellectual property, research and product development and production scale-up activities.

The Directors expect that these organisational developments will substantially improve Advanced Nano's ability to create, develop and market profitable solutions for specific end-market needs. The Company believes all four target segments offer the prospect of very strong revenue growth for the Company's products.

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## NEW TECHNICAL CENTRE

Advanced Nano will relocate its R&D laboratories and open a new Technical Centre at Technology Park, Perth in February 2007. Technology Park is only 5km from Advanced Nano's production and marketing centre. The move to Technology Park will provide expanded facilities to accommodate the increased R&D activities associated with our Commercial Ready projects and expansion of technical support for sales and marketing. The Company expects that the move to Technology Park will facilitate efficient cross-functional business development initiatives, aligning R&D more closely with sales and marketing. We believe that the proximity of the new centre to Advanced Nano's manufacturing plant and offices will greatly assist in this regard.

## **ABOUT ADVANCED NANOTECHNOLOGY LIMITED**

Advanced Nano develops, manufactures, and sells advanced nanomaterials products worldwide that deliver significant performance and value improvements to its customers' products, and is the only Australian public company to successfully operate in the rapidly expanding global nanomaterials sector. Advanced Nano's MCP™ nanopowder manufacturing technology is a patented, platform technology that enables the production of a broad range of high quality nanopowders and nanomaterials. The Company has achieved early revenues and strong growth through high value, short time to market products where the high quality of its nanomaterials provides a clear competitive edge.

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